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Message Text

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TO AMEMBASSY HELSINKI

C O N F I D E N T I A L STATE 064543

E.O. 11652: GDS

TAGS: ETRD, FI

SUBJECT: FINNISH AMBASSADOR EXPRESSED CONCERN OVER US/
FINNISH TRADE PROBLEMS

REF: STATE 49096

1. SUMMARY. FINNISH AMBASSADOR ILONIEMI MET SEPARATELY WITH ASSISTANT SECRETARIES VEST AND KATZ ON MARCH 6, TO REVIEW US/FINNISH TRADE ISSUES AND EXPRESS GOF CONCERN THAT CURRENT IRRITANTS COULD IMPACT UNFAVORABLY ON THE BALANCE OF OUR RELATIONS. KATZ NOTED THAT ON MOST OF THE ISSUES, THE FINNS WERE CONCERNED ABOUT POTENTIAL RATHER THAN ACTUAL US RESTRICTIONS, AND ASSURED THE AMBASSADOR CONFIDENTIAL

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THAT FINLAND WOULD RECEIVE AMPLE OPPORTUNITY TO PRESENT ITS CASE. END SUMMARY.

2. ILONIEMI OPENED HIS CALLS BY DESCRIBING FINLAND'S ECONOMIC SITUATION AS DEEPLY WORRISOME. THERE HAD BEEN NO ECONOMIC GROWTH DURING THE PAST THREE YEARS AND NONE WAS EXPECTED IN 1978. UNEMPLOYMENT WAS AT HISTORIC LEVELS

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OF 9 TO 10 PERCENT. EXPORT EXPANSION SEEMED THE MOST LIKELY POLICY TO LEAD TO RECOVERY. FINLAND HAD, ACCORDINGLY, BEEN

PLEASED WITH THE UPSWING IN FINNISH EXPORTS TO THE UNITED STATES IN 1977, WHICH ACCORDING TO THE AMBASSADOR HAD SIGNIFICANTLY NARROWED THE TRADITIONAL US SURPLUS IN OUR BILATERAL TRADE (WE POINTED OUT THAT US DEPARTMENT OF COMMERCE STATISTICS FOR 1977 INDICATED A FINNISH SURPL'S OF SOME 85 MILLION DOLLARS). THE AMBASSADOR CONTINUED THAT AFTER FINLAND'S STRONG PERFORMANCE IN 1977, THE GOF WAS CONCERNED OVER A SERIES OF POSSIBLE RESTRICTIONS ON FINNISH EXPORTS WHICH COULD, ACCORDING TO FINNISH ESTIMATES, AFFECT 25 PERCENT OF FINNISH SALES TO US.

3. BOTH VEST AND KATZ EXPRESSED UNDERSTANDING FOR FINLAND'S DIFFICULT SITUATION, WHICH UNFORTUNATELY WAS NOT UNIQUE IN THE INDUSTRIALIZED WORLD. KATZ POINTED OUT THAT THE UNITED STATES HAD SUFFERED AN ENORMOUS TRADE DEFICIT IN 1977, LARGELY DUE TO WEAK FOREIGN DEMAND. HE ALSO REITERATED THAT THE US, AS A MATTER OF FREE TRADE POLICY, WAS AGAINST ATTEMPTING TO BALANCE TRADE ACCOUNTS BILATERALLY. HE CITED OUR RECENT NEGOTIATIONS WITH THE JAPANESE AS AN EXAMPLE HOW THIS WAS TRUE EVEN WHEN THE US WAS THE PARTY IN DEFICIT.

4. ILONIEMI THAN REVIEWED THE SPECIFIC TRADE ITEMS ABOUT WHICH FINLAND WAS CONCERNED. ON PAPERMAKING MACHINERY, HE CONFIDENTIAL

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GAVE KATZ AN AIDE MEMOIRE PROPOSING ITEMS FOR EX-OUT IN THE US TARIFF SCHEDULE. THESE ITEMS WERE DISCUSSED WITH CUSTOMS AND STR EARLIER THIS MONTH (STATE 49096). (COPY OF AIDE MEMOIRE POUCHED TO EMBASSY). OF GREATER CONCERN, ILONIEMI NOTED, WAS THE POSSIBILITY OF A COUNTERVAILING DUTY CASE AGAINST FINNISH PAPERMAKING MACHINERY. HE CLAIMED THAT (1) EXPORT INFLATION INSURANCE (CITED IN THE COMPLAINT TO TREASURY) DOES NOT AFFECT EXPORTS TO THE US; AND, (2) THE REBATE OF FINNISH SALES TAX (ALSO CITED) IS CONSISTENT WITH GATT. KATZ ASSURED ILONIEMI THAT FINNS WOULD HAVE AN OP,ORTUNITY TO PRESENT THEIR CASE DURING ANY TREASURY INVESTIGATION OF THE MATTER.

5. ON US TRIGGER-PRICE MECHANISM FOR STEEL, ILONIEMI EXPRESSED GOF CONCERN THAT IMPLEMENTATION WOULD LIMIT EXPORTS OF EFFICIENTLY-PRODUCED FINNISH STEEL TO US, DUE TO HIGH TRANSPORT COSTS. (FINNS APPEARED TO BELIEVE MISTAKENLY THAT INVESTIGATION INITIATED BY TREASURY FOR IMPORTS BELOW THE TRIGGER PRICE WOULD AUTOMATICALLY RESULT IN IMPOSITION OF ANTIDUMPING DUTIES.) KATZ BRIEFLY EXPLAINED TRIGGER-PRICE MECHANISM AND NOTED THAT SOLE PURPOSE OF SYSTEM WAS TO PREVENT DUMPING, NOT ELIMINATE LOW-COST PRO-

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DUCERS FROM THE US MARKET.

6. ON SPECIALTY STEEL QUOTAS, ILONIEMI AGAIN EXPRESSED FINNISH CONCERN REGARDING INABILITY TO SECURE A SEPARATE

QUOTA FOR SPECIALTY STEEL IMPORTS DUE TO LOW HISTORICAL FINNISH SHARE OF US MARKET. KATZ TOLD FINNS WE COULD NOT PROVIDE A SEPARATE QUOTA.

7. REGARDING ZINC AND COPPER, ILONIEMI SAID GOF FEARED US IMPORT RESTRICTIONS AS A RESULT OF PENDING 201 CASES. KATZ POINTED OUT THAT ITC HAD ONLY RECENTLY BEGUN ITS INVESTI-GATION OF ZINC IMPORTS AND IS STILL REVIEWING THE 201 PETITION FILED ALLEGING INJURY FROM COPPER BUT WOULD SOLI-

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CIT PRODUCER VIEWS IN BOTH CASES AT THE APPROPRIATE TIME.

8. ON FINNAIR LANDING RIGHTS, ILONIEMI NOTED THAT FINLAND HAD STILL NOT OBTAINED WEST COAST RIGHTS. FOLLOWING MEET-ING, EUR/NE REMINDED FINNISH EMBOFF THAT BALL IS IN THE FINNISH COURT. ON NOVEMBER 3, 1977, KATZ HAD INFORMED RYTKONEN THAT WE WOULD BE PREPARED TO RESPOND FAVORABLY TO FINNISH REQUEST FOR NEGOTIATIONS AFTER PRESIDENT'S DETERMI-NATION ON ATLANTIC ROUTES. THIS WAS MADE ON JANUARY 26. WE TOLD FINNS ANY SUCH REQUEST SHOULD INCLUDE WELL-DOCUMENTED MARKET SURVEY SUPPORTING WEST COAST LANDING RIGHTS.

9. ON ICEBREAKERS, ILONIEMI EXPRESSED TO BOTH KATZ AND VEST FINLAND'S GREAT INTEREST IN SELLING TO THE US. WITH VEST ILONIEMI POINTED OUT THAT THIS WAS ONE OF THE FEW AREAS WHERE THE US GOVERNMENT COULD BE A DIRECT PARTICIPANT IN OUR BILATERAL TRADE, SINCE PROCUREMENT WOULD BE MADE BY THE US COAST GUARD. WHETHER OR NOT THE US PURCHASED A FINNISH ICEBREAKER THIS WOULD INFLUENCE THE "IMAGE" OF US POLICY IN FINLAND. ILONIEMI REFERRED TO THE "UNFORTUNATE" HANDLING OF WARTSILA BID ON COAST GUARD CUTTERS LAST FALL, AND EXPRESSED DISAPPOINTMENT THAT POSSIBILITY OF US PRO-CUREMENT OF FINNISH ICEBREAKERS SEEMED TO BE DIMINISHING. HE CONTINUED THAT FINLAND WAS THE WORLD LEADER IN ICE-BREAKER TECHNOLOGY, AND SUGGESTED THAT ANY COAST GUARD FOR-MULATION OF NEEDS WHICH WOULD RULE OUT FINNISH PRODUCERS, WOULD BE VIEWED IN HELSINKI AS "PURE PROTECTIONISM".

10. VEST RESPONDED THAT WE RESPECTED FINLAND'S TECHNO-LOGICAL EXPERTISE IN THE ICEBREAKER FIELD, AND THAT HE WAS CLEARLY CONCERNED WITH ANY ISSUE WHICH COULD AFFECT OUR OVERALL RELATIONS. HE PROMISED TO LOOK INTO ICEBREAKER QUESTION, AND TO TRY TO ENSURE THAT FINLAND WAS AFFORDED A

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FAIR OPPORTUNITY TO COMPETE FOR ANY US ORDER.

11. FOR EMBASSY INFORMATION, AT COAST GUARD BUDGET HEARING HELD MARCH 8 BY TRANSPORTATION SUBCOMMITTEE OF SENATE APPROPRIATIONS COMMITTEE, COAST GUARD COMMANDANT SILER

TESTIFIED THAT COAST GUARD DID NOT WANT FUNDS FOR NEW ICE-BREAKER UNTIL FY 1981 BUDGET, FOR DELIVERY OF SHIP IN 1985. HE SAID COAST GUARD WAS PROCEEDING WITH ITS OWN DESIGN FOR DUAL PURPOSE--POLAR AND GREAT LAKES--SHIP AND THAT WHEN BIDS WERE EVENTUALLY SOLICITED HE ENVISIONED AN "OPEN MARKET WITH AS MUCH COMPETITION AS POSSIBLE". (FYI: WE UNDERSTAND THIS TO MEAN THAT FOREIGN COMPETITION WOULD BE PERMITTED.) SILER DOWNPLAYED ANY IMMEDIATE NEED FOR NEW ICEBREAKER, SAYING SHIPPING LANES FOR ORE CARRIERS ON GREAT LAKES HAD BEEN KEPT OPEN VIRTUALLY YEAR-ROUND DURING PAST THREE YEARS. HE SAID THAT EVEN IF COAST GUARD WERE GIVEN FUNDS NOW, IT COULD NOT PUT A SHIP INTO OPERATION FOR THREE YEARS IF IT WERE TO HAVE THE SHIP IT WANTED. VANCE

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